

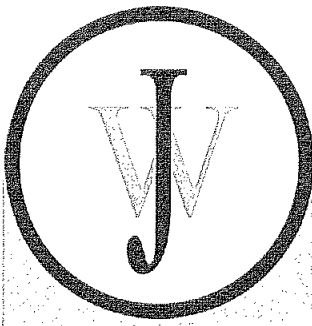
The Family Center of Hope, Inc.

Financial Statements

For the Year Ended December 31, 2011

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JONALD J. WALKER III CPA LLC

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To The Board of Directors
The Family Center of Hope, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of The Family Center of Hope, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Family Center of Hope, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that The Family Center of Hope, Inc. will continue as a going concern. As discussed in note 13 to the financial statements, The Family Center of Hope, Inc. has a lack of an ongoing source of funding for furnishing and operational funds causing serious cash flow issues and a deficiency in unrestricted net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters also are also described in note 13. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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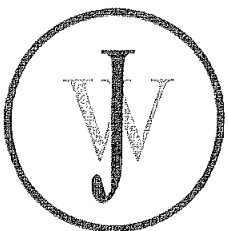
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In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012 on our consideration of The Family Center of Hope, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Jonald J. Walker III CPA, LLC

November 2, 2012



THE FAMILY CENTER OF HOPE, INC.
Statement of Financial Position
For the Year Ended December 31, 2011

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 2,042
Grant Receivable	<u>252,628</u>
Total Current Assets	254,670

Non-Current Assets

Land	100,000
Property and Equipment (net of Accumulated Depreciation)	<u>2,626,023</u>
Total Non-Current Assets	2,626,023

Total Assets	<u>\$ 2,880,693</u>
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LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable	\$ <u>252,628</u>
Total Liabilities	252,628

Net Assets

Unrestricted Net Assets	360,603
Temporarily Restricted Net Assets	<u>2,367,462</u>
Total Net Assets	2,728,065

Total Liabilities and Net Assets	<u>\$ 2,980,693</u>
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The notes to the financial statements are an integral part of this statement.

THE FAMILY CENTER OF HOPE, INC.

Statement of Activities
For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support			
General Contributions	\$ 1,642	\$ -	\$ 1,642
Grants and Contracts:			
State	-	274,339	274,339
Local	-	599,650	599,650
Total Public Support	1,642	873,989	875,631
Expenses			
Supporting Services:			
Programs	4,235	-	4,235
Management and General	23,118	-	23,118
Total Expenses	27,353	-	27,353
Decrease in Unrestricted Net Assets	(21,476)	-	(21,476)
Increase in Temporarily Restricted Net Assets	-	869,754	869,754
Change in Net Assets	(21,476)	869,754	848,278
Net Assets at Beginning of Fiscal Year	382,079	1,497,708	1,879,787
Net Assets at End of Fiscal Year	<u>\$ 360,603</u>	<u>\$ 2,367,462</u>	<u>\$ 2,728,065</u>

The accompanying notes are an integral part of the financial statements.

THE FAMILY CENTER OF HOPE, INC.

Statement of Cash Flows

For the Year Ended December 31, 2011

Cash flows from operating activities:	
Change in Net Assets	\$ 848,278
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	22,118
Increase in grants receivable	(153,573)
Increase in accounts payable	<u>213,573</u>
Net cash provided by operating activities	930,396
Cash flows from investing activities:	
Acquisition of assets	<u>(929,054)</u>
Net Cash used in investing activities	<u>(929,054)</u>
Net increase/decrease in cash and cash equivalents	\$ 1,342
Cash and cash equivalents at beginning of year	<u>700</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,042</u></u>

The accompanying notes are an integral part of the financial statements.

THE FAMILY CENTER OF HOPE, INC.

Statement of Functional Expenses
For the Year Ended December 31, 2011

	Program Services	Management and Support	Totals
	<u>Building Renovation</u>	<u>Management and General</u>	<u>Total Expenses</u>
Accounting Fees	\$ -	\$ 3,000	\$ 3,000
Bank Charges	-	140	140
Fire Alarm System & Maintenance	1,000	-	1,000
Depreciation	22,118	-	22,118
Office Expenses	-	836	836
Other Expenses	-	259	259
	<u>\$ 23,118</u>	<u>\$ 4,235</u>	<u>\$ 27,353</u>

The accompanying notes are an integral part of the financial statements.

THE FAMILY CENTER OF HOPE, INC.

Notes to the Financial Statements

December 31, 2011

Note 1 – Nature of Activities and Significant Accounting Policies

Nature of Activities

The Family Center of Hope, Inc. is a non-profit organization located in New Orleans, Louisiana. The organization was developed to assist children and adults in especially low-income areas with new and innovative forms of education, literacy, and training.

The Family Center of Hope, Inc. mission is to be a holistic institution of education and social services from a faith based perspective to the entire family. These services are designed to address and effect change in the areas of community violence, drug use, school dropouts, teenage parenting and other dysfunctions within families. At the core of the center's philosophy is a deeply embedded set of values about families and the nature of how help should be extended to them.

Basis of Accounting

The Center prepares its financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standard Board in its Statement of Financial Accounting Standards Codification (FASB ASC) No. 958, *Financial Statements of Not-For-Profit Organizations*. Under FASB ASC No. 958, The Family Center of Hope, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets:

Unrestricted - Net assets not subject to donor-imposed stipulations; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of The Family Center of Hope, Inc. and or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by The Family Center of Hope, Inc. Generally, the donors of these assets permits the Center to use all or part of the income earned on any related investments for general or specific purposes.

THE FAMILY CENTER OF HOPE, INC.

Notes to the Financial Statements

December 31, 2011

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Public Support and Revenue

The Family Center of Hope, Inc. received its support primarily from grants from the state of Louisiana and the city of New Orleans, of federal Community Development Block Grant (CDBG) funds.

The Family Center of Hope, Inc. is involved in a multi-year project for the renovation of the Family Center of Hope Community Center in New Orleans. The funding for this project is provided through a Cooperative Endeavor Agreement between the State of Louisiana and The Family Center of Hope, Inc. in the amount of \$ 500,000 of capital outlay funds. These are federal pass-through funds through the Department of Housing and Urban Development, CFDA # 14.218.

Additional funds for this project have been provided through a Public Facility agreement for the Community Development Block Grant (CDBG) project entitled “Family Center of Hope Community Center Public Facility”. These pass-through funds are provided through the agreement with the City of New Orleans, subject to availability through the federal Department of Housing and Urban Development, CFDA # 14.218. The 2007 project was amended October 15, 2009 to a total probable cost for the project in the amount of \$ 1,790,000.

Grants Receivable

Grants are recorded at the time of the award, except for reimbursement grants which are recorded as expenditures are incurred. If a grant becomes uncollectible, then it is written off at that time. No allowance is recorded because management believes all grants to be collectible.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. This may require the allocation of certain costs based on total program costs and estimates made by management.

Income Taxes

The Family Center of Hope, Inc. is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501 (a) of the Internal Revenue Code.

THE FAMILY CENTER OF HOPE, INC.

Notes to the Financial Statements

December 31, 2011

Note 1 – Nature of Activities and Significant Accounting Policies (continued)

The Family Center of Hope, Inc. has received a tax-exempt ruling under section 501(c)(3) from the Internal Revenue Service and, accordingly, is not subject to Federal income tax unless The Family Center of Hope, Inc. had unrelated trade or business income.

Land, Buildings, Equipment and Improvements

Acquisitions of buildings, equipment, improvements and all expenditures for repairs, maintenance and betterments that materially prolong the useful lives of assets are capitalized. Buildings, equipment, and improvements are stated at cost less accumulated depreciation. Depreciation is being provided by use of the straight-line-method over the estimated useful lives of the related assets as follows: buildings 30 years, building improvements 5 years, equipment 3-7 years.

Deferred Revenue

Grant funds are considered to be earned when qualifying expenditures are made and all other grant requirements have been met and, accordingly, when such funds are received, they are recorded as deferred revenue until earned.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/ or nature of any donor restrictions.

Contributions that are restricted by the donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When restrictions expire (that is when a stipulated time restriction ends or purpose of restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of the activities as net assets released from restrictions.

Donated Equipment and Services

Donated equipment is reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt. Accounting and administrative services for The Family Center of Hope are provided by volunteers. No amounts have been reflected in the statements for donated services because they did not meet the criteria for recognition under generally accepted accounting principles.

THE FAMILY CENTER OF HOPE, INC.

Notes to the Financial Statements

December 31, 2011

Note 2 – Cash and Cash Equivalents

The Family Center of Hope, Inc. had the following cash balance as of December 31, 2011:

Demand Deposits	<u>\$2,042</u>
Total	<u>\$2,042</u>

Custodial credit risk is the risk that, in the event of a bank failure, the Center's deposits might not be recovered. At December 31, 2011 the Center's demand deposit bank balances of \$ 2,042 were entirely secured by federal deposit insurance.

The Center maintains its deposits in two financial institutions. The accounts at these institutions are insured by the U.S. Federal Deposit Insurance Corporation up to \$250,000 per account. The balances at times may exceed federally insured limits. At December 31, 2011, the cash balance per account did not exceed the insured amount.

Note 3 – Accounts Receivable – Grants

Accounts receivable - grants are deemed to be fully collectible by management; accordingly, no allowance for doubtful accounts is required. Accounts receivable - grants are comprised of the following at December 31, 2011:

As of December 31, 2011 grants receivable consisted of the following:

City of New Orleans CDBG funds:

HUD Public Facility Agreement	<u>61,271</u>
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State of Louisiana CDBG Funds:

HUD Title I Program	<u>191,357</u>
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Total	<u>\$ 252,628</u>
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Note 4 – Property and Equipment

Property and Equipment is carried at cost less accumulated depreciation/amortization. Depreciation/Amortization is determined at rates which will reduce original cost to estimate residual value over the useful life of each asset. The following schedule summarizes estimated useful life, cost and accumulated depreciation of property, plant and equipment as of December 31, 2011:

<u>Description</u>	<u>Life</u>	<u>Amount</u>
Building - St. Charles Avenue	30 years	\$ 650,000
Renovation in Progress		2,322,695
Equipment	3 – 7 years	1,351
Accumulated Depreciation		<u>(348,023)</u>
Property and Equipment, net		<u>\$ 2,626,023</u>

THE FAMILY CENTER OF HOPE, INC.

Notes to the Financial Statements

December 31, 2011

Note 4 – Property and Equipment (continued)

See note 9 regarding prior year adjustment relating to building.

Depreciation expense for the year ended December 31, 2011 was \$22,118.

The Family Center of Hope Community Center building is currently undergoing a complete renovation due to extreme damage incurred during Hurricane Katrina in 2005. Expenditures through December 31, 2011 total \$2,022,695 and are recorded as Renovation in Progress. Upon completion, the facility will be recognized as a building and depreciated under generally accepted accounting principles in the United States.

Note 5 - Commitments

The Family Center of Hope, Inc. has contracts with a general contractor, architecture firm and subcontractors regarding renovation/construction of the Family Center of Hope public facility. The payments on the contracts are subject to grant approval prior to receipt of grant funds, principally the City of New Orleans and the State of Louisiana. The contracts expire upon completion of the facility and performance of services. The balance due the general contractor on invoices received was \$252,628 at December 31, 2011.

As of December 31, 2011, there were two vendor liens outstanding balances totaling \$ 92,081, and a statement of claim for \$18,500. These liens will be released upon payment which is dependent upon approval and payment by the grantors to The Family Center of Hope, Inc.

Note 6 – Contingency

The Center is a recipient of federal, state and city grants. The grants are governed by various federal, state and city guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants are under the control and administration of the Center and are subject to audit and/or review by the federal, state and city grantor. Any grant funds found to be not properly spent in accordance with the terms, conditions, and regulations of the federal, state and city agencies may be subject to recapture.

Note 7 – Risk Management

The Center is exposed to various risks of loss related to thefts of, damage to, and destruction of assets, errors and omissions and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Note 8 – Board of Directors Compensation

The Board of Directors is a voluntary board. No compensation was paid to any board member during the year ended December 31, 2011.

THE FAMILY CENTER OF HOPE, INC.

Notes to the Financial Statements

December 31, 2011

Note 9 – Prior Period Adjustment

Real estate located at 4422 St. Charles Avenue, New Orleans, Louisiana was donated to the organization. Prior to January 01, 2011, this donation of real property was not properly recognized in the organization's accounting records and not recognized as an asset in the organization's financial statements. The property has been used as a multi-purpose facility and administration offices by the organization. Accumulated depreciation has been calculated from date of acquisition to the reporting date of the financial statements.

Note 10 – Functional Allocation of Expenses

Expenses have been reported on the statement of activities by natural classification. To present expenses by functional classifications, expenses are charged to program services and supporting services (management and general expense and fundraising expense) based on management's estimate of periodic time and expense evaluations. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the School.

Total Expenses for the year ended December 31, 2011 are allocated as follows:

Management and General	\$ 4,235
Program Services	<u>23,118</u>
Total Expenses	<u>\$ 27,353</u>

Note 11– Concentrations of Risk

The Family Center of Hope, Inc. received a substantial amount of its revenue through grants awarded by the federal, state, and local governments which total approximately \$873,989 or 99% of total revenue.

Note 12– Uncertain Income Taxes

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax position recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The Family Center of Hope, Inc.'s tax filings are subject to audit by various taxing authorities. Management has evaluated The Family Center of Hope, Inc.'s tax position and concluded that The Family Center of Hope, Inc. has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. As of November 02, 2012, The Family Center of Hope, Inc. believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years December 31, 2009, 2010 and 2011 remain subject to examination by the taxing authorities.

THE FAMILY CENTER OF HOPE, INC.

Notes to the Financial Statements

December 31, 2011

Note 13 – Going Concern

A lack of an ongoing source of funding for furnishing and operational funds for the Family Center of Hope Community Center which is nearing completion is cause to consider the entity's ability to continue as a going concern. Currently all funds are provided by federal pass through of a Community Development Block Grant for the renovation of the facility. Upon completion, funds must be secured for furnishing the facility and to provide cash flow for continuing operations. Without a significant and steady source of funds, the facility may not be able to operate.

Management's plans regarding these matters include numerous grant applications for operations of the café and the childcare facility as well as a meeting of the Board of Directors to consider methods of promoting the facility and its' benefits to the local community. The purpose of this and future meetings is to:

- 1) Discuss the current situation and review the history of how the organization placed itself in this situation.
- 2) Consider the feasibility of conducting one or more fundraisers within the community to be served and the city as a whole.
- 3) Development of a support network among community and civic leaders to promote the facility and its' purposes and seek input into the future of the organization.
- 4) Development of a short term plan to include a sound business plan to ensure the availability of funds to meet obligations and to allow for continuation of the organizations functions.

Address the need for continuing grant writing and application to secure additional funds through the city, state and federal resources

Note 14 – Subsequent Events

The management of The Family Center of Hope, Inc. evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through November 2, 2012, the date which the financial statements were available to be issued.

THE FAMILY CENTER OF HOPE, INC.
Schedule of Federal Awards
For the Year Ended December 31, 2011

<u>Schedule of Federal Awards</u>	<u>CFDA Number</u>	<u>Federal Identifying Number</u>	<u>Pass- through Federal Expenditure</u>
U.S. Department of Housing and Urban Development			
Title 1 Program	14.218		<u>\$ 885,437</u>
 Total			 <u>\$ 885,437</u>

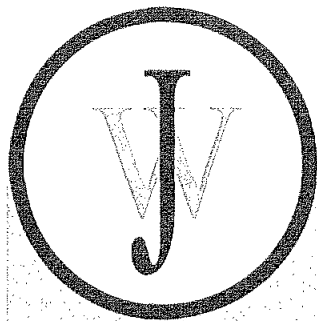
THE FAMILY CENTER OF HOPE, INC.
Schedule of Federal Awards
For the Year Ended December 31, 2011

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of The Family Center of Hope, Inc. under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of The Family Center of Hope, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of The Family Center of Hope, Inc.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.



**Independent Auditors' Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
The Family Center of Hope, Inc.
New Orleans, Louisiana

We have audited the financial statements of The Family Center of Hope, Inc. (a nonprofit organization) as of and for the year ended December 31, 2011, and have issued our report thereon dated November 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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In planning and performing our audit, we considered The Family Center of Hope, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of The Family Center of Hope, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in Internal Control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

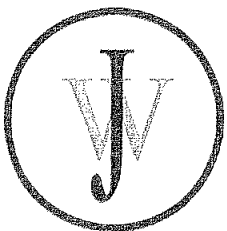
As part of obtaining reasonable assurance about whether The Family Center of Hope, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-01.

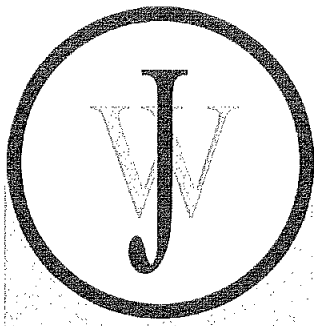
The Family Center of Hope, Inc.'s response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit The Family Center of Hope, Inc.'s responses and, accordingly we do not express an opinion on them.

This report is intended solely for the information and use of the board of directors, management of the Family Center of Hope, Inc., the Legislative Auditor of the State of Louisiana, and federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Donald J. Walker III CPA, LLC

November 2, 2012





**Independent Auditors' Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on Internal Control
Over Compliance in Accordance With OMB Circular A-133**

To The Board of Directors
The Family Center of Hope, Inc.
New Orleans, Louisiana

Compliance

We have audited The Family Center of Hope, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of The Family Center of Hope, Inc.'s major federal programs for the year ended December 31, 2011. The Family Center of Hope, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The Family Center of Hope, Inc.'s management. Our responsibility is to express an opinion on The Family Center of Hope, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Family Center of Hope, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Family Center of Hope, Inc.'s compliance with those requirements.

As described in item 2011-2, in the accompanying schedule of findings and questioned costs, The Family Center of Hope, Inc. did not comply with requirements regarding timely filing of Form SF-SAC & Single Audit reporting package that are applicable to major

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federal programs. Compliance with such requirements is necessary, in our opinion, for the Family Center of Hope, Inc. to comply with requirements applicable to federal programs.

In our opinion, except for the noncompliance described in the preceding paragraph, The Family Center of Hope, Inc. complied, in all material respects, with the compliance requirements referred to above the could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of finding and questioned costs as items 2011-1.

Internal Control over Compliance

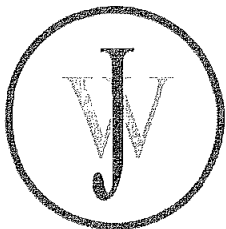
Management of The Family Center of Hope, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The Family Center of Hope, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Family Center of Hope, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of finding and questioned costs as item 2011-2 to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to significant deficiencies.

The Family Center of Hope, Inc.'s responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit

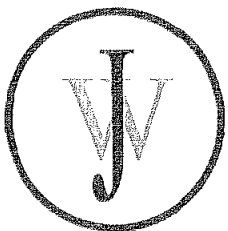


the Family Center of Hope Inc.'s responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the board of directors, management of the Family Center of Hope, Inc., the Legislative Auditor of the State of Louisiana, and federal awarding agencies, state funding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Donald J. Walker III CPA, LLC

November 2, 2012



THE FAMILY CENTER OF HOPE, INC.

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2011

A. Summary of Results

1. The auditor's report expresses an unqualified opinion on the financial statements of The Family Center of Hope, Inc.
2. No control deficiencies disclosed during the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. One instance of noncompliance material to the financial statements of The Family Center of Hope, Inc. are reported in the *Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements And Internal Control Performed in Accordance with Government Auditing Standards*.
4. One control deficiency identified as a significant deficiency in internal control over major federal award programs disclosed during the audit are reported in the *Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the federal award program administered by The Family Center of Hope, Inc. expresses a qualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in sections B and C of this schedule.
7. The program tested as major programs include:

	<u>CFDA Number</u>
HUD – CDBG Program	14.218

8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. The Family Center of Hope, Inc. does not qualify as a low-risk auditee.

THE FAMILY CENTER OF HOPE, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

B. Findings – Financial Statement Audit

INTERNAL CONTROL AND COMPLIANCE FINDINGS

2011-01 Timely Filing of Report

Condition:

The report was not submitted to the legislative auditor's office on a timely basis.

Criteria:

LSA-R.S.24.513 States that, "all engagements must be completed and transmitted to the legislative auditor within six months of the close of the auditee fiscal year."

Effect:

The effect of this condition should remain in compliance with the State Law governing audit engagement completion.

Recommendation:

The Family Center of Hope should remain in compliance with the State Law governing audit engagement completion.

Response:

See management's corrective action plan for their response.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

Department of Housing and Urban Development – Community Development Block Grant
Passed through City of New Orleans Office of Planning & Development, (OPD) and the State of Louisiana Office of Facility Planning and Control.

2011-02 Timely Filing of Form SF-SAC & Single Audit reporting package.

Condition:

The report was not submitted to the Federal Audit Clearinghouse in a timely basis.

Criteria:

The audit shall be completed and the data collection form and reporting package shall be submitted by the earlier of either 30 days after receipt of the auditor's report or nine months after the end of the fiscal year end date, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

THE FAMILY CENTER OF HOPE, INC.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2011

Effect:

The effect of this condition should remain in compliance with Federal guidelines governing compliance of recipients of federal awards.

Recommendation:

The Family Center of Hope should take necessary steps to ensure that financial records are available in a timely manner to ensure timely completion of audit.

Response:

See management's corrective action plan for their response.

THE FAMILY CENTER OF HOPE, INC.

Summary of Prior Year Findings
For the Year Ended December 31, 2011

2010-01 Monitoring Procedures

Condition:

There are no procedures in place to monitor and track compliance with grant agreements.

Recommendation:

Responsible parties should be trained and orientated on tracking and documenting compliance issues.

Current Status:

Resolved

2010-02 Open Meetings

Condition:

Notice of Board meetings of The Family Center of Hope, Inc. were not sufficiently posted in a conspicuous location for the public to be aware of the location, time and agenda items which are required to be open to the public.

Recommendation:

The Family Center of Hope should ensure that it posts notices of its Board meetings in a conspicuous place where they can be viewed by the public.

Current Status:

Resolved

2010- 3 Receipts and Disbursements

Condition:

Checks issued by the entity contain only one signature, that of the Executive Director. Photocopies of several checks contained no dates or incomplete dates.

Recommendation:

Due to the limitations of only two volunteers performing the administration of the transactions, checks should be signed by the Executive Director and one officer of the Board of Directors

Current Status:

Resolved

THE FAMILY CENTER OF HOPE, INC.

Summary of Prior Year Findings
For the Year Ended December 31, 2011

2010-4 Books of Accounts

Condition:

There is no general ledger accounting system currently in place, therefore the entity lacks everything associated with a general ledger accounting system. Accordingly, grants receivable and liabilities are not recorded and is a departure from Generally Accepted Accounting Principles (GAAP).

Recommendation:

The Family Center of Hope should immediately establish and maintain an accrual basis accounting system to accurately record the flow of transactions of the entity.

Current Status:

Resolved

2010-5 Grant Non-compliance and Single Vendor Payments:

Condition:

During the examination of documents several instances of grant non compliance were noted. One vendor was paid prior to receipt of grant funds four times. The June 2, 2010 request for funds was not signed nor dated, the March 2, 2010 payment had no documentation other than an invoice from the vendor. A group of checks to this vendor were issued sequentially numerically but out of date sequence. In addition, this type of service may seem to be premature during the renovation/reconstruction of a building and the vendor contract stipulates a \$1,000 "retainer". Several photocopies of checks contained no dates, "ineligible costs" ledger was not maintained, "special, (general ledger), account was not maintained and grant funds "received and applied" was not reported in the minutes of the board meetings. Separate general ledger accounts are required for grant funds per the terms of the grant.

Recommendation:

The Family Center of Hope should institute a plan and procedures to better document and track requests for payment from vendors, application to grant agencies for funds, apply accrual basis accounting to reflect funds receivable and payable and comply with the requirements set forth in the grant agreements.

Current Status:

Resolved

2010- 06 Lack of Dual Signatures:

Condition:

Checks issued by the entity contain only one signature, that of the Executive Director.

THE FAMILY CENTER OF HOPE, INC.

Summary of Prior Year Findings
For the Year Ended December 31, 2011

Recommendation:

Due to the limitations of only two volunteers performing the administration of the transactions, checks should be signed by the Executive Director and one officer of the Board of Directors

Current Status:

Resolved

2010-07 Timely Filing of Report

Condition:

The report was not submitted to the legislative auditor's office on a timely basis.

Recommendation:

The Family Center of Hope should remain in compliance with the State Law governing audit engagement completion.

Current Status:

Unresolved, see current year finding 2011-01

2010-08 Lack of Fidelity/Surety Bond on Staff

Condition:

Persons handling funds were not covered by a fidelity/surety bond.

Recommendation:

The Family Center of Hope, Inc. should obtain immediately adequate fidelity/surety bond coverage for all persons handling receipt and/or disbursement of funds in amounts necessary to insure that the risk of financial loss is covered in the event of loss.

Current Status:

Resolved

2010-09 Documentation and Review of Expenditures

Condition:

Documentation for an expenditure to the architecture firm contained only the request letter and photocopy of the check from the grantor agency, no invoice or proof of services performed.

THE FAMILY CENTER OF HOPE, INC.

Summary of Prior Year Findings
For the Year Ended December 31, 2011

Recommendation:

The Family Center of Hope should design and implement a system of controls and review to assure that copies of all documents submitted are appropriately filed and maintained and monitor compliance with established procedures.

Current Status:

Resolved

THE FAMILY CENTER OF HOPE, INC.

**Management's Corrective Action Plan
For the Year Ended December 31, 2011**

2011-01 Timely Filing of Report

Recommendation:

The Family Center of Hope should remain in compliance with the State Law governing audit engagement completion.

Corrective Action:

The Family Center of Hope will solicit bids prior to year end in preparation for securing an audit firm to begin the audit for the upcoming audit period to ensure compliance with State Law for timely filing in the future.

Implementation Date:

December 15, 2012

Contact Information:

Rev. Patricia Watson, Executive Director
The Family Center of Hope, Inc.
New Orleans, Louisiana 70115
(504) 259-7642

2011-02 Timely Filing of Form SF-SAC & Single Audit Reporting Package

Recommendation:

The Family Center of Hope should take necessary steps to ensure that financial records are available in a timely manner to ensure timely completion of audit.

Corrective Action:

The Family Center of Hope, Inc. will make sure deadlines are set for turning in timely records to the auditor for the timely filing of all necessary reports.

Implementation Date:

December 15, 2012

Contact Information:

Rev. Patricia Watson, Executive Director
The Family Center of Hope, Inc.
New Orleans, Louisiana 70115
(504) 259-7642